

BANK OF CHINA (MALAYSIA) BERHAD (511251-V)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

	Note	Group		Bank	
		30 September 2017 RM'000	31 December 2016 RM'000	30 September 2017 RM'000	31 December 2016 RM'000
ASSETS					
Cash and short-term funds	9	2,635,495	3,138,153	2,630,004	3,133,474
Deposits and placements with banks and other financial institutions	10	1,662,456	435,854	1,662,456	435,854
Derivative assets	11	2,882	334	2,882	334
Financial investments available-for-sale	12	408,478	-	408,478	-
Financial investments held-to-maturity	13	1,622,108	288,048	1,622,108	288,048
Loans and advances	14	5,550,233	5,183,247	5,550,233	5,183,247
Other assets	15	5,550	12,491	4,862	11,682
Tax recoverable		1,790	-	1,790	-
Deferred tax assets		3,209	4,738	3,101	4,553
Statutory deposits with Bank Negara Malaysia		126,700	98,900	126,700	98,900
Investment in a subsidiary		-	-	1,000	1,000
Property and equipment		58,044	52,363	56,332	50,699
Intangible assets		416	300	416	300
TOTAL ASSETS		12,077,361	9,214,428	12,070,362	9,208,091
LIABILITIES AND EQUITY					
Deposits from customers	16	8,377,489	6,349,234	8,383,818	6,357,750
Deposits and placements of banks and other financial institutions	17	845,816	1,354,460	845,816	1,354,460
Derivative liabilities	11	2,156	293	2,156	293
Other liabilities	18	153,189	212,652	149,856	210,130
Provision for taxation		409	3,081	-	2,455
Subordinated loan	19	1,312,596	-	1,312,596	-
TOTAL LIABILITIES		10,691,655	7,919,720	10,694,242	7,925,088
Share capital		760,518	760,518	760,518	760,518
Reserves		625,188	534,190	615,602	522,485
TOTAL EQUITY		1,385,706	1,294,708	1,376,120	1,283,003
TOTAL LIABILITIES AND EQUITY		12,077,361	9,214,428	12,070,362	9,208,091
COMMITMENTS AND CONTINGENCIES	26	5,393,140	3,518,241	5,393,140	3,518,241

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2016

BANK OF CHINA (MALAYSIA) BERHAD (511251-V)
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INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	Note	3rd Quarter Ended		Nine Months Ended	
		30 September	30 September	30 September	30 September
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
		RM'000	RM'000	RM'000	RM'000
Group					
Interest income	20	115,717	90,801	315,159	272,490
Interest expense	21	(64,534)	(48,064)	(165,115)	(146,700)
Net interest income		51,183	42,737	150,044	125,790
Other operating income	22	23,313	17,174	67,637	67,191
Other operating expenses	23	(27,577)	(23,609)	(80,354)	(75,002)
Operating profit		46,919	36,302	137,327	117,979
Allowance written back/(made) for impairment on loans and advances	24	1,086	(7,878)	(17,506)	(12,477)
Profit before taxation		48,005	28,424	119,821	105,502
Taxation		(11,134)	(3,633)	(29,343)	(27,250)
Profit for the financial period		36,871	24,791	90,478	78,252
Other comprehensive income					
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met</i>					
- Net gain on revaluation of financial investments, net of tax		828	-	520	-
Other comprehensive income, net of tax		828	-	520	-
Total comprehensive income for the period		37,699	24,791	90,998	78,252

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2016

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	Note	3rd Quarter Ended		Nine Months Ended	
		30 September	30 September	30 September	30 September
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
		RM'000	RM'000	RM'000	RM'000
Bank					
Interest income	20	115,717	90,801	315,159	272,490
Interest expense	21	(64,534)	(48,064)	(165,115)	(146,700)
Net interest income		51,183	42,737	150,044	125,790
Other operating income	22	16,925	12,012	62,121	63,836
Other operating expenses	23	(25,810)	(22,099)	(75,453)	(70,562)
Operating profit		42,298	32,650	136,712	119,064
Allowance written back/(made) for impairment on loans and advances	24	1,086	(7,878)	(17,506)	(12,477)
Profit before taxation		43,384	24,772	119,206	106,587
Taxation		(10,276)	(2,809)	(26,609)	(24,719)
Profit for the financial period		33,108	21,963	92,597	81,868
Other comprehensive income					
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met</i>					
- Net gain on revaluation of financial investments available-for-sale		828	-	520	-
Other comprehensive income, net of tax		828	-	520	-
Total comprehensive income for the period		33,936	21,963	93,117	81,868

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2016

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	← Non-distributable →			→ Distributable		Total RM'000
	Share capital RM'000	Statutory reserves RM'000	Revaluation reserves RM'000	Regulatory reserves RM'000	retained profits RM'000	
Group						
Balance as at 1 January 2017	760,518	279,786	-	26,948	227,456	1,294,708
Profit for the financial period	-	-	-	-	90,478	90,478
Other comprehensive income, net of tax	-	-	520	-	-	520
Total comprehensive income for the financial period	-	-	520	-	90,478	90,998
Transfer to regulatory reserve	-	-	-	(5,731)	5,731	-
At 30 September 2017	760,518	279,786	520	21,217	323,665	1,385,706
Balance as at 1 January 2016	760,518	223,231	-	22,671	175,396	1,181,816
Total comprehensive income for the period	-	-	-	-	78,252	78,252
Transfer to regulatory reserve	-	-	-	2,976	(2,976)	-
At 30 September 2016	760,518	223,231	-	25,647	250,672	1,260,068

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2016

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	←	Non-distributable			→		
	Share capital	Statutory reserves	Revaluation reserves	Regulatory reserves	Distributable retained profits	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank							
Balance as at 1 January 2017	760,518	279,786	-	26,948	215,751	1,283,003	
Profit for the financial period	-	-	-	-	92,597	92,597	
Other comprehensive income, net of tax	-	-	520	-	-	520	
Total comprehensive income for the financial period	-	-	520	-	92,597	93,117	
Transfer to regulatory reserve	-	-	-	(5,731)	5,731	-	
At 30 September 2017	760,518	279,786	520	21,217	314,079	1,376,120	
Balance as at 1 January 2016	760,518	223,231	-	22,671	163,473	1,169,893	
Total comprehensive income for the period	-	-	-	-	81,868	81,868	
Transfer to regulatory reserve	-	-	-	2,976	(2,976)	-	
At 30 September 2016	760,518	223,231	-	25,647	242,365	1,251,761	

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2016

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INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	Group		Bank	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	119,821	105,502	119,206	106,587
<i>Adjustment for:</i>				
Depreciation of property and equipment	3,145	3,443	2,721	2,929
Amortisation of intangible assets	148	69	148	69
(Amortisation of premium)/ accretion of discount, net	518	(33)	518	(33)
Allowance for losses on loans and advances	17,506	12,477	17,506	12,477
Interest income from financial investments held-to-maturity	(22,705)	(9,471)	(22,705)	(9,471)
Interest income from financial investments available-for-sale	(4,125)	-	(4,125)	-
Interest expense on subordinated loan	3,931	-	3,931	-
Unrealised foreign exchange loss	2,908	5,541	2,908	5,541
Net (gain)/ loss on revaluation of derivative	(685)	1,568	(685)	1,568
Net gain on disposal of property and equipment	-	(1)	-	-
Property and equipment written off	408	-	408	-
Dividend income	-	-	(11,650)	(11,900)
Operating profit before changes in operating activities	120,870	119,095	108,181	107,767
(INCREASE)/ DECREASE IN OPERATING ASSETS				
Deposits and placements with banks and other financial institutions	(1,226,602)	570,494	(1,226,602)	570,494
Loans and advances	(384,492)	(387,436)	(384,492)	(387,436)
Other assets	4,032	(7,024)	3,912	(6,998)
Statutory deposits with Bank Negara Malaysia	(27,800)	19,000	(27,800)	19,000
INCREASE/(DECREASE) IN OPERATING LIABILITIES				
Deposits from customers	2,028,255	(219,023)	2,026,068	(222,030)
Deposits and placements of banks and other financial institutions	(508,644)	356,558	(508,644)	356,558
Other liabilities	(59,463)	53,193	(60,274)	53,022
Cash (used in)/ generated from operating activities	(53,844)	504,857	(69,651)	490,377
Taxation paid	(32,517)	(26,935)	(29,644)	(23,637)
Net cash (used in)/generated from operating activities	(86,361)	477,922	(99,295)	466,740

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	Note	Group		Bank	
		30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(9,388)	(3,847)	(8,913)	(3,798)
Proceeds from disposal of property and equipment		3	1	-	-
Purchase of intangible assets		(113)	-	(113)	-
Purchases of financial investments available-for-sale		(407,937)	-	(407,937)	-
Purchases of financial investments held-to-maturity		(3,370,000)	(110,000)	(3,370,000)	(110,000)
Proceeds from maturity of financial investments held-to-maturity		2,040,000	250,012	2,040,000	250,012
Interest received on financial investments held-to-maturity		18,472	12,716	18,472	12,716
Interest received on financial investments available-for-sale		4,001	-	4,001	-
Dividend income received from subsidiary		-	-	11,650	11,900
Net cash (used in)/generated from investing activities		<u>(1,724,962)</u>	<u>148,882</u>	<u>(1,712,840)</u>	<u>160,830</u>
CASH FLOW FROM FINANCING ACTIVITY					
Proceed from issuance of subordinated loan		1,308,665	-	1,308,665	-
Net cash generated from financing activity		<u>1,308,665</u>	<u>-</u>	<u>1,308,665</u>	<u>-</u>
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD					
		(502,658)	626,804	(503,470)	627,570
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD					
		3,138,153	1,951,246	3,133,474	1,948,595
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD					
	9	<u>2,635,495</u>	<u>2,578,050</u>	<u>2,630,004</u>	<u>2,576,165</u>

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

1 Review of Performance and Commentary of Prospects

For the third quarter ended 30 September 2017, the Group recorded profit before taxation of RM119.8 million, an increase of RM14.3 million or 13.6% compared to the corresponding period of 2016. The profit was mainly due to increase in net interest income by RM24.3 million to RM150.0 million, which partially offset with higher operating expenses by RM5.4 million to RM80.4 million and followed by higher allowance for impairment on loans and advances by RM5.0 million to RM17.5 million.

The Group's total assets increased by RM2,862.9 million or 31.1% as compared to 31 December 2016. The total assets growth was mainly due to investment in securities.

The Bank will take advantage of the business integration exercise and work in collaboration with Holding Company to grasp possible business opportunities to accelerate overall business expansion. The Bank will aggressively promote the Belt and Road Initiative by becoming the bridge between business enterprises of Malaysia and China. The Bank is continuously enhancing its risk management and internal control structure and framework to support business expansion.

2 Group Accounting Policies

The unaudited condensed consolidated interim financial statements for the nine months ended 30 September 2017 have been prepared in accordance with MFRS134 Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB"). The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2016.

The accounting policies adopted by the Bank for the interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2016.

Since the previous annual audited financial statements as at 31 December 2016 were issued, the Group and the Bank has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2017.

The Group and the Bank will apply the following standards from financial years beginning on or after 1 January 2017:

- Annual Improvements to MFRS Standards 2014-2016 Cycle
- Amendments to MFRS 107: Disclosure Initiative
- Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

Standards issued but not yet effective

The Group and the Bank will apply the following standards from financial years beginning on or after 1 January 2018:

- Clarifications to MFRS 15: Revenue from Contracts with Customers
- Amendments to MFRS 140: Transfers of Investment Property
- Annual Improvements to MFRS Standards 2014-2016 Cycle
- Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
- MFRS 15: Revenue from Contracts with Customers
- IC Int 22: Foreign Currency Transactions and Advance Consideration
- MFRS 16: Leases

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2017**

2 Group Accounting Policies (Continued)

Standards issued but not yet effective (continued)

MFRS 9 Financial Instrument

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but should have no impact on the classification and measurement of the Group's financial liabilities. Impairment allowances of the Group and the Bank will be affected with the adoption of expected loss model under MFRS 9. The Group is currently assessing the impact of MFRS 9 and plans to adopt the new standard on the required effective date.

The above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Group and of the Bank in the year of initial application.

MFRS 16 Leases

MFRS 16 will replace MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group and the Bank plan to assess the potential effect of MFRS 16 on its financial statements in year 2017.

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

3 Audit Report

The audit report for the financial year ended 31 December 2016 was not subject to any qualification.

4 Seasonal or Cyclical Factors

The business operations of the Bank have not been affected by any material seasonal cyclical factors.

5 Exceptional or Extraordinary Items

There were no exceptional or extraordinary items in the nine months ended 30 September 2017.

6 Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the nine months ended 30 September 2017.

7 Changes in Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the period under review.

8 Dividend paid

No dividend was paid during the nine months ended 30 September 2017.

9 Cash and short-term funds

	Group		Bank	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	229,988	285,565	224,497	280,886
Money at call and deposit placements maturing within 1 month	2,405,507	2,852,588	2,405,507	2,852,588
	<u>2,635,495</u>	<u>3,138,153</u>	<u>2,630,004</u>	<u>3,133,474</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2017**

10 Deposits and placements with banks and other financial institutions

	Group and Bank	
	30 September 2017 RM'000	31 December 2016 RM'000
Bank Negara Malaysia	200,126	320,427
Licensed banks	1,462,330	115,427
	1,662,456	435,854

11 Derivative Assets/(Liabilities)

	Group and Bank	
	30 September 2017 RM'000	31 December 2016 RM'000
Derivative assets	2,882	334
Derivative liabilities	(2,156)	(293)
	726	41

12 Financial investments available-for-sale

	Group and Bank	
	30 September 2017 RM'000	31 December 2016 RM'000
At fair value		
Money market instrument:		
Malaysian Government Securities	406,026	-
At cost		
Unquoted shares in Malaysia	2,452	-
	408,478	-

13 Financial investments held-to-maturity

	Group and Bank	
	30 September 2017 RM'000	31 December 2016 RM'000
At amortised cost		
Money market instrument:		
Malaysian Government Securities	135,946	288,048
Negotiable instruments of deposits	1,486,162	-
	1,622,108	288,048

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2017**

14 Loans and advances

At amortised cost

(i) By type

	Group and Bank	
	30 September	31 December
	2017	2016
	RM'000	RM'000
Overdrafts	665,822	742,315
Terms loans		
- Housing loans	292,129	281,719
- Syndicated term loans	1,190,737	576,970
- Other term loans	1,525,288	1,598,880
Bills receivables	226,820	201,643
Trust receipts	93,043	32,725
Claims on customers under acceptance credits	438,703	368,749
Revolving credits	1,186,357	1,431,418
Staff loans	1,760	2,255
Gross loans and advances	<u>5,620,659</u>	<u>5,236,674</u>
Less: Allowance for impaired loans and advances		
- Individual assessment allowance	(24,489)	(17,748)
- Collective assessment allowance	(45,937)	(35,679)
Total net loans and advances	<u>5,550,233</u>	<u>5,183,247</u>

(ii) By geographical distribution

	Group and Bank	
	30 September	31 December
	2017	2016
	RM'000	RM'000
Malaysia	5,263,688	4,867,116
Other countries	356,971	369,558
Gross loans and advances	<u>5,620,659</u>	<u>5,236,674</u>

(iii) By interest rate sensitivity

	Group and Bank	
	30 September	31 December
	2017	2016
	RM'000	RM'000
Fixed rate		
- Other fixed rate loan	1,141,411	539,374
Variable rate		
- Base Rate/Base Lending Rate plus	2,219,766	2,404,764
- Cost plus	2,259,482	2,226,280
- Other variable rates	-	66,256
Gross loans and advances	<u>5,620,659</u>	<u>5,236,674</u>

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

14 Loans and advances (continued)

(iv) By purpose

	Group and Bank	
	30 September	31 December
	2017	2016
	RM'000	RM'000
Purchase of securities	35,904	35,358
Purchase of transport vehicles	23,934	4,979
Purchase of landed property :	1,216,773	1,156,630
- Residential	308,235	296,681
- Non-residential	908,538	859,949
Purchase of fixed assets other than land and building	13,270	2,686
Personal use	288,292	320,080
Construction	477,981	266,611
Mergers and Acquisition	546,766	355,289
Working capital	2,566,569	2,940,869
Other purpose	451,170	154,172
Gross loans and advances	5,620,659	5,236,674

(v) By residual contractual maturity

	Group and Bank	
	30 September	31 December
	2017	2016
	RM'000	RM'000
Up to one month	1,395,836	1,524,009
More than one month to three Months	1,037,635	917,392
More than three months to six months	230,840	595,396
More than six months to twelve months	2,031	68,122
More than twelve months	2,954,317	2,131,755
Gross loans and advances	5,620,659	5,236,674

The loans and advances were based on the remaining length of time that will be carried and from the report date to the expiry date of the contract created.

(vi) Impaired loans and advances

(a) Movements in impaired loans and advances

	Group and Bank	
	30 September	31 December
	2017	2016
	RM'000	RM'000
At beginning of financial period/year	111,234	43,412
Classified as impaired during the period/year	57,869	75,016
Amount recovered	(3,437)	(7,194)
Reclassified as non-impaired	(72,287)	-
At end of financial period/year	93,379	111,234
Individual assessment allowance	(24,489)	(17,748)
Net impaired loans and advances	68,890	93,486

Ratio of net impaired loans and advances to gross loans and advances less individual allowance for impairment

1.231% **1.791%**

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED
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14 Loans and advances (continued)

(vi) Impaired loans and advances (continued)

(b) By geographical

	Group and Bank	
	30 September	31 December
	2017	2016
	RM'000	RM'000
Malaysia	93,379	111,234

(c) By purposes

	Group and Bank	
	30 September	31 December
	2017	2016
	RM'000	RM'000
Purchase of landed property - residential	4,668	299
Purchase of landed property - non-residential	32,340	18,730
Construction	-	72,287
Personal use	109	1,730
Working capital	56,262	18,188
	93,379	111,234

(vii) Allowance for impairment on loans and advances
Movements in allowance for impairment for loans and advances

	Group and Bank	
	30 September	31 December
	2017	2016
	RM'000	RM'000
<u>Individual assessment allowance</u>		
At beginning of the financial period/year	17,748	7,753
Allowance made during the financial period/year	17,122	11,774
Allowance written back during the financial period/year	(10,381)	(1,779)
At end of the financial period/year	24,489	17,748
<u>Collective assessment allowance</u>		
At beginning of the financial period/year	35,679	34,407
Allowance made during the financial period/year	10,765	799
Exchange differences	(507)	473
At end of the financial period/year	45,937	35,679

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15 Other assets

	Group		Bank	
	30 September	31 December	30 September	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Other receivables	1,596	8,810	1,329	8,400
Sundry deposits	3,003	3,028	2,587	2,634
Prepayment	483	334	478	329
Precious metal inventory	468	319	468	319
	5,550	12,491	4,862	11,682

16 Deposits from customers

(i) By type of deposits

	Group		Bank	
	30 September	31 December	30 September	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Demand deposits	3,251,389	1,410,758	3,257,718	1,419,274
Savings deposits	193,045	150,990	193,045	150,990
Fixed deposits	4,632,275	4,382,797	4,632,275	4,382,797
Negotiable instruments of deposits	300,780	404,689	300,780	404,689
	8,377,489	6,349,234	8,383,818	6,357,750

(ii) Maturity structure of fixed deposits and negotiable instruments of deposits are as follows:

	Group and Bank	
	30 September	31 December
	2017	2016
	RM'000	RM'000
Due within six months	4,042,864	4,037,464
Six months to one year	870,156	745,096
More than one year	20,035	4,926
	4,933,055	4,787,486

(iii) By type of customer

	Group		Bank	
	30 September	31 December	30 September	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	4,072	4,120	4,072	4,120
Business enterprises	4,689,268	2,704,091	4,695,597	2,712,607
Individuals	2,421,416	2,129,924	2,421,416	2,129,924
Others	1,262,733	1,511,099	1,262,733	1,511,099
	8,377,489	6,349,234	8,383,818	6,357,750

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17 Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 September	31 December
	2017	<u>2016</u>
	RM'000	RM'000
Bank Negara Malaysia	46,110	55,957
Licensed banks	799,402	1,297,267
Licensed investment banks	243	266
Licensed islamic banks	57	968
Other financial institutions	4	2
	845,816	<u>1,354,460</u>

18 Other liabilities

	Group		Bank	
	30 September	31 December	30 September	31 December
	2017	<u>2016</u>	2017	<u>2016</u>
	RM'000	RM'000	RM'000	RM'000
Accrued expenses	21,224	32,964	20,421	32,112
Margin deposits	47,940	139,560	47,940	139,560
Other liabilities	84,025	40,128	81,495	38,458
	153,189	<u>212,652</u>	149,856	<u>210,130</u>

19 Subordinated loan

On 26 July 2017, the Bank has issued USD310 million subordinated loan (10 years maturity, non-callable 5 years) which bear interest rate equal to 3-month LIBOR plus 0.30%, payable 3 months in arrears.

The Bank may, subject to prior approval of Bank Negara Malaysia, repay the Facility in one(1) lumpsum on maturity date. The subordinated loan qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

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20 Interest income

	3rd Quarter Ended		Nine Months Ended	
	Group and Bank		Group and Bank	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income on non-impaired loans	67,008	63,297	196,174	192,582
- Interest income on impaired loans	17	1,899	1,433	3,588
Money at call and deposit placement with financial institutions	30,948	23,007	91,240	66,816
Financial investments held-to-maturity	14,405	2,599	22,705	9,471
Financial investments available-for-sale	3,702	-	4,125	-
	116,080	90,802	315,677	272,457
(Amortisation of premium)/ accretion of discount, net	(363)	(1)	(518)	33
Total interest income	115,717	90,801	315,159	272,490

21 Interest Expense

	3rd Quarter Ended		Nine Months Ended	
	Group and Bank		Group and Bank	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	3,068	6,541	12,404	27,484
Deposits from customers	57,357	41,480	148,075	119,123
Subordinated loan	3,931	-	3,931	-
Others	178	43	705	93
	64,534	48,064	165,115	146,700

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22 Other operating income

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Group				
Fees income:				
- Fee on loans and advances	5,589	2,750	14,435	11,187
- Service charges and fees	10,078	8,947	28,754	26,842
- Guarantee fees	3,996	4,315	13,097	12,513
	19,663	16,012	56,286	50,542
Fees income:				
- Commission related expenses	(3,507)	(2,721)	(9,424)	(8,265)
Net fee income	16,156	13,291	46,862	42,277
Foreign exchange income:				
- Realised	6,597	5,711	22,521	30,591
- Unrealised	(845)	(5,597)	(2,908)	(5,541)
Gain/(Loss) on revaluation of derivatives	1,233	3,657	685	(1,568)
Sale of precious metal	161	112	447	1,370
Other income	11	-	30	61
Net gain on disposal of property and equipment	-	-	-	1
	23,313	17,174	67,637	67,191

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Bank				
Fees income:				
- Fee on loans and advances	5,589	2,750	14,435	11,187
- Service charges and fees	131	1,011	2,006	3,175
- Guarantee fees	3,996	4,315	13,097	12,513
	9,716	8,076	29,538	26,875
Foreign exchange income:				
- Realised	6,597	5,711	22,521	30,591
- Unrealised	(845)	(5,597)	(2,908)	(5,541)
Gain/(loss) on revaluation of derivatives	1,233	3,657	685	(1,568)
Sale of precious metal	161	112	447	1,370
Other income:				
- Dividend income from subsidiary	-	-	11,650	11,900
- Other income	63	53	188	209
	16,925	12,012	62,121	63,836

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23 Other operating expenses

	3rd Quarter Ended		Nine Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Group				
<u>Personnel expenses</u>				
Salaries & wages	9,646	9,776	30,618	28,730
Bonuses	4,574	4,034	13,640	15,102
Defined contribution plan ("EPF")	1,790	1,573	5,345	4,917
Staff welfare expenses	491	348	1,533	1,586
Other personnel costs	2,090	864	4,062	2,487
	18,591	16,595	55,198	52,822
<u>Marketing expenses</u>				
Entertainment	270	324	689	966
Other marketing	546	445	877	1,021
	816	769	1,566	1,987
<u>Establishment costs</u>				
Rental of premises	2,243	1,894	6,681	5,785
Depreciation	1,356	1,132	3,145	3,443
Amortisation	57	23	148	69
Repairs and maintenance	273	144	521	515
Property and equipment written off	3	-	408	-
Information technology expenses	1,219	417	1,866	1,822
Other establishment costs	(16)	243	906	483
	5,135	3,853	13,675	12,117
<u>Administration and general expenses</u>				
Insurance premium	4	15	1,886	694
Auditors' remuneration				
- statutory audit fees	57	83	179	162
- regulatory related service	55	26	116	74
Travelling and accommodation	746	664	1,741	1,891
Telecommunication and utilities	328	276	878	777
Printing, stationery and postage	552	156	957	464
Legal and professional fees	352	601	1,103	1,273
Other administration and general expenses	814	481	2,693	1,585
	2,908	2,302	9,553	6,920
<u>Other expenses</u>				
Cost of precious metal	127	90	362	1,156
	127	90	362	1,156
	27,577	23,609	80,354	75,002

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23 Other operating expenses (continued)

	3rd Quarter Ended		Nine Months Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Bank				
<u>Personnel expenses</u>				
Salaries & wages	9,063	9,213	28,873	27,169
Bonuses	4,351	3,909	13,053	14,727
Defined contribution plan ("EPF")	1,729	1,500	5,156	4,709
Staff welfare expenses	424	308	1,352	1,426
Other personnel costs	2,038	820	3,947	2,391
	<u>17,605</u>	<u>15,750</u>	<u>52,381</u>	<u>50,422</u>
<u>Marketing expenses</u>				
Entertainment	262	323	677	956
Other marketing	541	445	872	1,021
	<u>803</u>	<u>768</u>	<u>1,549</u>	<u>1,977</u>
<u>Establishment costs</u>				
Rental of premises	1,860	1,545	5,609	4,760
Depreciation	1,218	961	2,721	2,929
Amortisation	57	23	148	69
Repairs and maintenance	272	143	515	512
Property and equipment written off	3	-	408	-
Information technology expenses	1,213	416	1,857	1,816
Other establishment costs	(36)	239	874	465
	<u>4,587</u>	<u>3,327</u>	<u>12,132</u>	<u>10,551</u>
<u>Administration and general expenses</u>				
Insurance premium	3	15	1,879	689
Auditors' remuneration				
- statutory audit fees	46	76	147	137
- regulatory related service	53	25	108	68
Travelling and accommodation	708	651	1,676	1,858
Telecommunication and utilities	304	244	798	685
Printing, stationery and postage	497	123	830	364
Legal and professional fees	326	600	1,074	1,272
Other administration and general expenses	751	430	2,517	1,383
	<u>2,688</u>	<u>2,164</u>	<u>9,029</u>	<u>6,456</u>
<u>Other expenses</u>				
Cost of precious metal	127	90	362	1,156
	<u>127</u>	<u>90</u>	<u>362</u>	<u>1,156</u>
	<u>25,810</u>	<u>22,099</u>	<u>75,453</u>	<u>70,562</u>

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24 Allowance (written back)/made for impairment on loans and advances

	3rd Quarter Ended		Nine Months Ended	
	Group and Bank		Group and Bank	
	30 September	30 September	30 September	30 September
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired loans and advances				
<u>Individual impairment allowance</u>				
- Made during the financial period	62	4,678	17,122	11,765
- Written back during the financial period	(9)	(223)	(10,381)	(1,674)
	53	4,455	6,741	10,091
<u>Collective impairment allowance</u>				
- (Written back)/made during the financial period	(1,139)	3,423	10,765	2,386
	(1,139)	3,423	10,765	2,386
	(1,086)	7,878	17,506	12,477

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25 Capital adequacy

(a) The capital adequacy ratios of the Group and Bank are as follows:

	<u>Group</u>		<u>Bank</u>	
	<u>30 September</u> <u>2017</u> RM'000	<u>31 December</u> <u>2016</u> RM'000	<u>30 September</u> <u>2017</u> RM'000	<u>31 December</u> <u>2016</u> RM'000
<u>Common Equity Tier 1 (CET1) Capital</u>				
Paid-up ordinary share capital	760,518	760,518	760,518	760,518
Retained profits	233,187	227,456	221,482	215,751
Statutory reserves	279,786	279,786	279,786	279,786
Regulatory reserves	21,217	26,948	21,217	26,948
Revaluation reserves	520	-	520	-
	1,295,228	1,294,708	1,283,523	1,283,003
Regulatory adjustment applied in the calculation of CET 1 Capital				
- Deferred tax assets	(3,209)	(4,738)	(3,101)	(4,553)
- 55% of cumulative gains of AFS	(286)	-	(286)	-
- Regulatory reserve attributable to loans and advances	(21,217)	(26,948)	(21,217)	(26,948)
	(24,712)	(31,686)	(24,604)	(31,501)
Total CET1 capital / Total Tier 1 capital	1,270,516	1,263,022	1,258,919	1,251,502
<u>Tier-2 capital</u>				
Collective assessment allowance	45,712	35,657	45,712	35,657
Regulatory reserves	21,217	26,948	21,217	26,948
Subordinated loan	1,308,665	-	1,308,665	-
Less: Investment in subsidiary	-	-	(1,000)	(1,000)
Total Tier-2 capital	1,375,594	62,605	1,374,594	61,605
Total capital base	2,646,110	1,325,627	2,633,513	1,313,107
<u>Capital ratios</u>				
CET 1 capital ratio	16.522%	20.155%	16.482%	20.111%
Tier 1 capital ratio	16.522%	20.155%	16.482%	20.111%
Total capital ratio	34.410%	21.154%	34.478%	21.100%

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25 Capital adequacy (continued)

(b) Breakdown of risk-weighted assets in the various categories of risk-weights are as follows :

	Group		Bank	
	30 September	31 December	30 September	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Credit risk	7,192,371	5,807,457	7,188,872	5,804,048
Market risk	21,920	12,611	21,920	12,611
Operational risk	475,746	446,601	427,539	406,461
Total risk-weighted assets	7,690,037	6,266,669	7,638,331	6,223,120

The total capital and capital adequacy ratios of the Bank is computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) dated 28 November 2012. The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk.

On 6 April 2015, Bank Negara Malaysia issued Policy Document on Classification and Impairment Provisions for Loans/Financing. Pursuant to paragraph 15.2 of the Policy Document, effective 31 December 2015 banking institution is required to maintain in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment.

The regulatory reserve is maintained in addition to the collective impairment allowances that have been assessed in accordance with MFRS139. It will be transferred from the retained profits to a separate reserve namely regulatory reserve within the equity.

During the financial period, the Bank has maintained RM21.217 million from its retained profits to regulatory reserve maintaining aggregate of collective impairment allowances and regulatory reserves of 1.20% of total outstanding loans and advances, net of individual impairment. The regulatory reserve does qualify as Common Equity Tier 1 (CET1) Capital and Tier 1 Capital under Bank Negara Malaysia's Capital Adequacy Framework (Capital Components).

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26 Commitments and contingencies

	Group and Bank					
	30 September 2017			31 December 2016		
	Principal	Credit	Risk	Principal	Credit	Risk
	RM'000	equivalent	weighted	RM'000	equivalent	weighted
		RM'000	RM'000		RM'000	RM'000
Direct credit substitutes	46,951	46,951	46,951	47,930	47,930	50,046
Transaction-related contingent items	2,336,381	1,168,191	998,035	1,828,022	914,011	834,739
Short-term self-liquidation trade related contingencies	126,913	25,383	18,411	221,700	44,340	17,784
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	1,669,628	333,926	289,660	1,119,236	223,847	200,294
- Maturity exceeding one year	253,908	126,954	105,864	211,970	105,985	52,937
Foreign exchange related contracts:						
- Less than one year	959,359	15,724	3,337	89,383	499	282
Total	5,393,140	1,717,129	1,462,258	3,518,241	1,336,612	1,156,082

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27 Operations of Islamic Banking

No Islamic banking activities was involved for the financial period ended 30 September 2017.

28 Valuation of Property, Plant and Equipment

The Bank's property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. There was no change in the valuation of property and equipment that were brought forward from the previous audited annual financial statements.

29 Events subsequent to Reporting Date

There were no material events subsequent to the reporting date that require disclosure or adjustments to the interim statements.

30 Changes in the composition of the Group

There were no significant changes in the composition of the Group for the 3rd quarter ended 30 September 2017.